

Internal Audit Compliance Checklist

**INTERACTIVE GAMING
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

NGC Regulation 6.090(15) requires the internal auditor to use guidelines, checklists and other “criteria established by the Chair” in determining whether an operator of interactive gaming is in compliance with applicable statutes, regulations, and Interactive Gaming Minimum Internal Control Standards (“MICS”). The use of this checklist satisfies these requirements.

Objectives:

To determine if controls for interactive gaming are adequate to ensure interactive gaming revenues are accurately stated in financial records and comply with the MICS.

Checklist Completion Notes:

- 1) Each step contains a parenthetical notation at the end of the step to designate the purpose of the step. Steps to ascertain compliance with a regulation or minimum standard will be followed by the appropriate regulation or standard. Steps to test the clerical accuracy of revenue will be followed by “Revenue.” Steps to determine whether assets were protected will be followed by “Asset Protection.”
- 2) The minimum standards quoted on this checklist are from Version 9 of the standards.
- 3) Document the completion of the procedures listed below. All exceptions noted should be carried to the Audit Report/Summary of Findings for timely follow-up. Indicate the workpaper reference to which the exception has been carried forward, as applicable, in the “Exception/Comment” column.

Scope:

Unless otherwise indicated, select 1 day during the fiscal period. **Indicate Test Date(s):** _____

MICS Variations and Regulation Waivers:

Review the MICS variations and regulation waivers scheduled during the interactive gaming walkthrough procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedures modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the “Walkthrough Procedures Checklist”.

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

✓ - Step completed without exception

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1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the NGCB or the CPA, or include a copy of the prior audit reports in the workpapers and follow-up on any problems noted. Duplication of exceptions when the CPA is referring to exceptions reported in internal audit reports is not necessary.		
2. For the most recent month-end, reconcile the total outstanding balance of interactive gaming accounts indicated in the "interactive gaming account balance summary report" to the dollar amount indicated in the bank account records. (Asset Protection)		
3. For one day, determine if the compensation amount collected by the operator has been properly computed on the "interactive gaming game play report" for three (3) game type totals. (Revenue)		
4. For one day, examine the "interactive gaming game play report" for proper handling to verify that the operator does not profit beyond the amount of rake when a celebrity player participates. (Revenue)		
5. For one day, trace total daily compensation amount on the "interactive gaming game play report" by game type to the compensation amount on the "interactive gaming revenue report" by game type (which includes cash games and contest/tournament games). (Revenue)		
6. For one day, trace total daily compensation amount on the "interactive gaming contest/tournament report" by game type to the daily compensation amount on the "interactive gaming revenue report". (Revenue)		
7. For the month in which a test date was selected, foot the daily compensation amount by game type (which includes cash games and contest/tournament games) in the "interactive gaming revenue report" and trace the footed total by game type to the month-to-date compensation amount in the "interactive gaming revenue report". (Revenue)		

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8. For the previous procedure, trace the month-to-date compensation amount per the “interactive gaming revenue report” (which includes cash games and contest/tournament games) to the month-to-date amount recorded on the “interactive gaming revenue recap report”. (Revenue)		
9. For the month in which a test date was selected, perform the reconciliation required by MICS #146 to determine whether the total interactive gaming revenue reported on the NGC tax return is accurate. (Revenue)		
10. For the month in the previous procedure, review all adjustments on the monthly “interactive gaming revenue recap report” made to the month-to-date compensation amount per the “interactive gaming revenue report” for proprietary and proper supporting documentation. (Revenue)		
11. Foot and cross foot the monthly “interactive gaming revenue recap report”. (Revenue)		
12. For the month in the previous procedure, trace the month-to-date compensation amount per the monthly “interactive gaming revenue recap report” to the general ledger and monthly NGC tax return. (Revenue) Examine general ledger accounts for the proprietary of any activity that affects reported revenue.		
13. If any free play or promotional payouts, drawings and giveaway programs were in effect on the test date, determine that the accounting treatment was proper and that taxable revenue was properly not affected. Regulation 5A.170(4)		

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Test Date Selected:		
14. Examine system exception reports for the interactive gaming system for propriety of transactions and unusual occurrences. The review should include, but is not limited to events listed in MICS #28. (Asset Protection) Note: A system exception report documents when event data or system parameters are changed. This report may be titled with various names. This report documents data or parameters altered; data or parameter value prior to alteration; data or parameter value after alteration; date and time of exception event, unique transaction identifier; and identification of user who performed and/or authorized alteration.		
15. If promotional pots and pools have been offered, for one test day, review the reconciliation form, required by MICS #144 , to determine that at least once a day, progressive balances displayed on the website were reconciled to the amounts received from players less amounts paid to players. Note: Indicate test day if different from above.		
Inter-Operator Poker Network		
16. For one day, trace the total daily compensation amount for “rake related to cash games” on the “interactive gaming revenue report” to the compensation amount on the “Operator/Brand Daily Summary”. (Revenue)		
17. For one day, trace the total daily compensation amount for “fees related to tournament play” on the “interactive gaming revenue report” to the compensation amount on the “Operator/Brand Daily Summary”. (Revenue)		
18. For the settlement period, trace the “amounts received” and the “amounts paid” on the “Operator Transfer of Funds” report to the amounts on the “Operator/Brand Daily Summary”. (Revenue)		
19. For the settlement period, trace the amounts of the “Sum of Tournament Shortfall” on the “Operator Transfer of Funds” report to the amounts on the “Daily Tournament Summary”. (Revenue)		

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Registration of Authorized Players 20. For the test day, ensure that players placing wagers that day had sufficient funds to play and, if funds were needed, the operator did not extend credit to the player. Regulation 5A.120(3)		
21. Examine 10 authorized player's interactive gaming accounts to ensure the following information required by Regulation 5A.110 is properly recorded: Indicate the interactive gaming accounts examined.		
a) The identity of the individual? Regulation 5A.110(2)(a)		
b) The individual's date of birth showing that the individual is 21 years of age or older? Regulation 5A.110(2)(b)		
c) The physical address where the individual resides? Regulation 5A.110(2)(c)		
d) The last four digits of the social security number for the individual, if a United States resident? Regulation 5A.110(2)(d)		
e) That the individual had not previously self-excluded with the operator and otherwise remains on the operator's self-exclusion list? Regulation 5A.110(2)(e)		
f) That the individual is not on the list of excluded persons established pursuant to NRS 463.151 and Regulation 28? Regulation 5A.110(2)(f)		
22. Before registering an individual as an authorized player, has the operator had the individual affirm the following: Regulation 5A.110(3)		
a) That the information provided to the operator by the individual to register is accurate? Regulation 5A.110(3)(a)		

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b) That the individual has reviewed and acknowledged access to the house rules for interactive gaming? Regulation 5A.110(3)(b)		
c) That the individual has been informed and acknowledged that, as an authorized player, they are prohibited from allowing any other person access to or use of their interactive gaming account? Regulation 5A.110(3)(c)		
d) That the individual has been informed and has acknowledged that, as an authorized player, they are prohibited from engaging in interactive gaming from a state or foreign jurisdiction in which interactive gaming is illegal and that the operator is prohibited from allowing such interactive gaming? Regulation 5A.110(3)(d)		
e) That the individual has been informed and has acknowledged that, if the operator is unable to verify the information provided by the individual pursuant to Regulation 5A.110(2) within 30 days of registration, any winnings attributable to the individual will be retained by the operator and the individual shall have no right to such winnings? Regulation 5A.110(3)(e)		
f) Consents to the monitoring and recording by the operator and the board of any wagering communications? Regulation 5A.110(3)(f)		
g) Consents to the jurisdiction of the State of Nevada to resolve disputes arising out of interactive gaming? Regulation 5A.110(3)(g)		
h) Within 30 days of the registration of the authorized player, has the operator verified the information provided by the individual pursuant to Regulation 5A.110(2)? Regulation 5A.110(5). Verify by examining the applicable dates on the "Interactive Gaming Account Balance Summary Report".		

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Personnel Access Listing		
23. For the computerized interactive gaming system, at the application level, obtain the user accessing listing:		
a) For computerized systems that have group membership (group profile), select a sample of at least 10% (with a maximum of 25) group profiles and determine whether the job functions (rights) assigned to the group profile are appropriate for the group. In addition, select one employee from each of the groups and determine whether the group profile is appropriate for the employee.		
b) For computerized systems that have individual profiles (profiles are customized for each employee), select a sample of at least 10% (with a maximum of 25) employees, encompassing as many positions as possible, and determine whether the job functions (rights) assigned to each employee are appropriate for the employee.		
c) Verify that 5 terminated employees, which occurred during the review period, have been changed in the system from active to inactive status.		
d) Verify that 5 active employees have changed their passwords within the last 90 days.		
Suspicious Wagers		
24. Review any Suspicious Wagering Reports noted for the test date and five from throughout the year to ensure that the following information recorded is complete in accordance with Regulation 5A.160(3) : Note: Include copies of the Suspicious Wagering Reports reviewed in the workpapers.		
a) Date of incident.		
b) Casino reporting information.		
c) Suspect information including:		
1) Individual's last name, first name and middle initial.		
2) Description of identification credential.		

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3) Social security number.		
4) Date of birth.		
d) Preparer information.		
e) Suspicious wagering information.		
25. Verify that the reports examined for the performance of the previous step were filed in a timely manner with the Board in accordance with Regulation 5A.160(3) .		
26. Verify that the licensee maintained supporting documentation for all suspicious wagering reports examined for the performance of the previous steps and that the documentation is readily available for review by the Board. Regulation 5A.160(4)		
<p>Employee Registration</p> <p>27. Select 5 employees of the operator of interactive gaming and 2 employees of each interactive gaming service provider, if applicable, and for each employee selected verify that the employee has been registered with the Board. Regulation 5.105 and 5A.220(6)</p> <p>Note: Contact an employee authorized to access the Board's system of records, usually this will be Human Resources employees, to verify registration.</p>		
<p>Individual Licensing and Registration</p> <p>28. Perform the following verification procedures:</p> <p>a) For corporations, determine that all officers and directors have been properly licensed or have filed for licensure pursuant to NRS 463.530 and NRS 463.540.</p> <p>b) For limited-liability companies, determine that all members have been properly licensed or have filed for licensure pursuant to NRS 463.5735.</p> <p>c) For partnerships, determine that all partners have been licensed or have filed for licensure pursuant to NRS 463.569.</p>		

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<p>Regulation 8.130 Transaction Reports</p> <p>29. Review the following documents for transactions which may be reportable pursuant to Regulation 8.130. For those items determined to be reportable, trace to filings. Unless otherwise specified, documents generated during the fiscal year should be reviewed.</p> <p>a) Review loan, lease and contract agreements.</p> <p>Note: In conjunction with this review, be on the alert for finder's fees. Payment of finder's fees requires prior Nevada Gaming Commission approval pursuant to Regulation 5.120.</p> <p>Scope: Review all <u>new</u> loan, lease and contract agreements executed since the last review of these files.</p>		
<p>b) Review transactions greater than \$30,000 in the disbursements journal for a minimum of two months during the fiscal year. Transactions which may be reportable pursuant to Regulation 8.130 include:</p> <ol style="list-style-type: none"> 1) Leases and capital leases. 2) Installment purchase contracts. 3) Loans, mortgages and trust deeds. 4) Accounts payable and accrued expenses due to unaffiliated persons where the payment terms or actual length of payments exceed 12 months. <p>Note: For disbursements which involve dividend payments to owners or distributions to non-owners/key employees, determine compliance with NRS 463.160(1)(d).</p>		

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<p>c) Review records of receipt such as the cash receipts journal or other applicable records for a minimum of two months during the fiscal year. Transactions which may be reportable pursuant to Regulation 8.130 include:</p> <ol style="list-style-type: none"> 1) Tenant deposits. 2) Capital contributions and loans by a person who is a stockholder, partner or proprietor of the company. <p>Note: Be aware of payments by bonding companies for losses as a result of employee embezzlement or fraud, or payments from employees making restitution for cases of theft, fraud or embezzlement. For any entries related to embezzlements, review the associated security reports and ensure that the incidents were properly reported to the Board and any recovered monies were included in gross gaming revenue, if appropriate.</p>		
<p>d) Review asset and liability accounts. Transactions which may be reportable pursuant to Regulation 8.130 include:</p> <ol style="list-style-type: none"> 1) Property donated. 2) Conversions of accounts payable, accrued expenses or other liabilities to notes payable. 3) Debts forgiven by a lender. 4) Accruals of salary due to an individual directly or indirectly owning an interest in the company where the accrual period exceeds 90 days. <p>Scope: Review the general ledger for a minimum of two months during the fiscal year.</p>		
<p><u>Procedures Modified or Added:</u></p>		

✓ - Step completed without exception